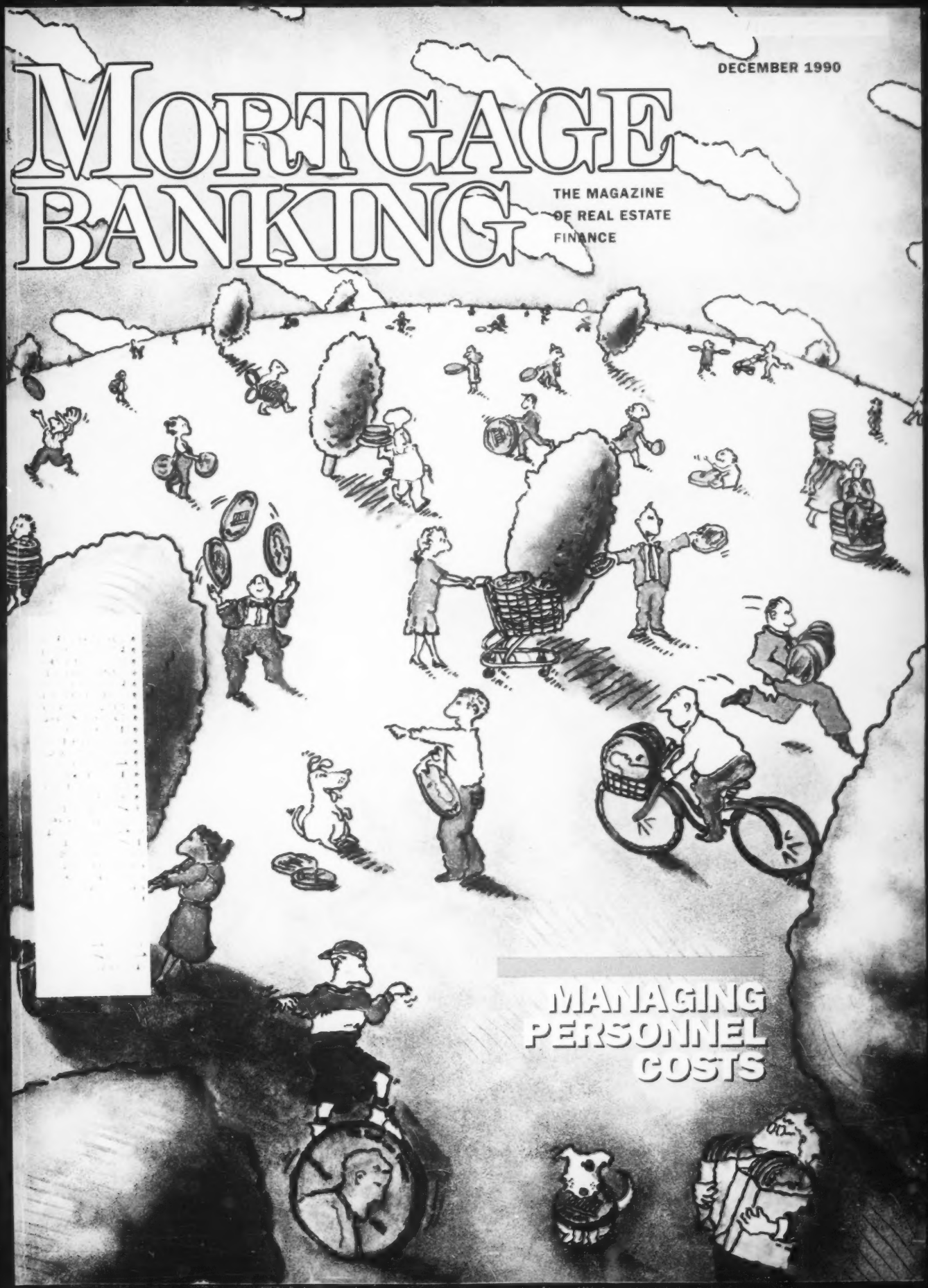
DECEMBER 1990

MORTGAGE BANKING

THE MAGAZINE OF REAL ESTATE FINANCE



MANAGING PERSONNEL COSTS

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DECEMBER 1990 VOLUME 51 NUMBER 3

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Compensation and Personnel

Mortgage bankers are watching every penny today. With origination volume down, cost control is more critical than ever. Salaries and other forms of compensation make up a big part of every lender's expenses. Our cover report focuses on what lenders are doing to make their pay schemes produce the biggest bang for the buck.

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PORTFOLIO

Compensation Complexities

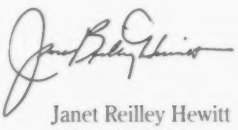
The industry's top executives face major league headaches today. The risks are outrageous and the stakes are high. There is wreckage from past mistakes strewn all about the financial landscape. So maybe that's why the survivors, and particularly those shepherding companies through real growth stages during these difficult times, are being compensated quite nicely for their success.

Our cover report examines the complexities of compensation for the mortgage industry's top rung of managers. The results of a major industry survey of more than 60 mortgage operations reveal some intriguing nuances on the types of companies that reward certain manager's positions more richly than others. The clear implication is that companies value different management expertise differently, depending on their strategic mission.

The annual Sibson & Company survey focuses on generally large players in terms of both originations and servicing. Those represented in the survey account for one out of every three loans originated in 1989. The survey made a few interesting discoveries—for example, in companies classified as fast-growth origination operations, the top production executive earned on average $40,000 less than in companies categorized as low-growth originators.

Compensation for the industry's top servicing jobs squared more with expectations. For companies with the largest servicing portfolios, the top servicing executive earned on average $135,700 versus an average of $87,700 for the small servicers in the survey group. Large servicers also paid their top systems person an average $103,500, while the smaller servicers paid that executive $87,900 on average. Finally, geography plays a big role in how much the CEO makes, the survey shows. CEOs in the West made an average $385,900, while their colleagues in the East made an average $241,100, based on the companies surveyed.

However, what the lead article shows most convincingly is that what mortgage companies pay many of their top managers tends to vary and does not lend itself consistently to neat explanations based on company size, growth patterns or locations. Which goes to show that this industry is a collection of many varied operations choosing different paths to get the job done.



Janet Reilley Hewitt
Editor in Chief

EDITOR'S NOTE: An article that appeared in the November issue titled, "The Inside Line on Warehouse Lending" should have credited a co-author. Rosa L. Kroesen, vice president of Asset Backed Capital Research, Inc. and editor of *Wholesale Access*.

COMING IN JANUARY

How bad will the recession be and where are originations and interest rates headed? Lyle Gramley, MBA chief economist, will tackle those subjects next month. We will also cover the long-term outlook and one sizzling market—Nevada—in our first issue of the new year. Happy Holidays.

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Executive COMPENSATION

ILLUSTRATION BY LINA CHESAK

If you are CEO of an independent mortgage company based in California, the odds are you make significantly more than your Midwest counterpart. That's one of the findings of a major industry survey on mortgage managers' pay.

Chip Thomas

"I was promised on a time
To have reason form my rhyme,
From that time unto this season,
I received neither rhyme nor reason."
——— EDMUND SPENSER (1552-1599)

Executive compensation packages for mortgage companies were hardly the thing that set Mr. Spenser off back in the sixteenth century. He had his own reasons for ruing the lack of rhyme or reason. But, as it turns out, his lament about the absence of rhyme or reason neatly fits the state of typical top managers' pay packages common in the twentieth century. After Sibson & Company examined the pay programs of more than 60 of the largest mortgage bankers for the "1990 Mortgage Banking Compensation Survey," it is quite apparent that most organizations are still struggling today with how to pay their senior managers.

This article focuses on seven senior management positions and examines the level of pay those managers are receiving in the context of five "measures" of their company's traits. The salary data is reported as of April 1990 and the bonus and incentive data is surveyed for calendar year 1989. In fairly broad terms, our research found evidence of higher levels of pay at higher (or better) levels of performance. However, there were many exceptions—and the relationship between higher levels of pay and higher levels of performance proved not a very strong one.

We conclude this article with a discussion on how mortgage company executives can introduce reason into the executive compensation program. While there are no absolutes, we suggest a conceptual framework that we have found extremely useful in the development of executive compensation packages.

Source of information

Sibson & Company, Inc., Los Angeles, annually conducts a survey of compensation practices in the residential mortgage banking industry. Participants are generally large players in terms of both origination volume and size of their servicing portfolio. In total, these 60-plus organizations originated one out of every three loans in 1989. In aggregate, the servicing portfolios of these organizations totaled in excess of $500 billion. All of the companies in this analysis are subsidiaries, or parts of larger financial organizations.

From each of these companies, we collected and verified total cash compensation information for the following senior management positions: chief executive officer, chief financial officer, top production executive, top secondary marketing executive, top servicing executive, top human resource executive and top MIS executive. We then examined the pay levels based on the company's results in four overall measures. Specifically, the measures used were:

- Growth (in servicing portfolio and origination volume)
- Size (in servicing portfolio and origination volume)
- Independence of mortgage operation
- Geographic location

Pay versus growth

Our first point of inquiry was to determine if faster-growth companies tend to pay more than slower-growth companies. Clearly, the demands on senior management in a high-growth operation are greater. Also, a high-growth mode indicates that the parent organization views the mortgage banking industry in a positive light and is investing in the industry. Finally, we also know that profitable growth is the only way—in the long run—to increase the value of an organization.

To assess the relationship of total cash compensation to growth, we grouped the organizations into three categories: high growth, moderate growth and no growth or decline. Further, we separately assessed growth based on increases in servicing portfolio and increases in origination volume. The sample group of companies contained a relatively equal number from all three categories. Fortunately, there was not a significant difference in the sizes of the companies in each of the three groups.

As can be seen by examining Charts 1 and 2, a minor relationship exists between high growth in servicing portfolio and higher levels of compensation. However, the relationship between growth in origination volume and compensation is almost completely reversed from what one would reasonably expect.

The biggest anomaly, in our view, is the compensation data for the position of top production executive. Fast-growing organizations, on average, pay this position more than $40,000 less than comparable positions in low-growth companies.

While we do not believe we can explain away the complete lack of relationship between growth and compensation—several factors are at work that may erode the strength of the relationship. The most significant factor is that the "growth" (especially for fast-growing servicing portfolios) is frequently being paid for by the parent company. That is, the parent company is redirecting its assets to the mortgage subsidiary—so the growth is not coming solely from the performance of the mortgage operation.

Another factor, especially pertinent in the area of servicing, is the traditional second-class citizenship of the servicing function. In studies with mortgage companies, we have found that the basic job of the top servicing executive is not as well understood by management as is the role of the manager running the secondary marketing or the production functions. With many companies aggressively moving into servicing, we anticipate that the level of understanding will increase.

Finally, it is not uncommon to see companies being reluctant to reduce pay (or the size of bonus checks) in times of slow growth. While we know this is human nature, it does distort the relationship between growth and compensation, because companies pay out large bonus checks in good times and large bonus checks in bad times.

Pay versus size

In many industries, the strongest correlation can be found between the absolute size of the company and the pay of senior executives. Usually, for a given company size, pay will cluster within a plus or minus 20 percent range for a given position.

This finding is also applicable to mortgage companies. For the four years that we have conducted this compensation survey, we have found that annual origination volume is a reasonably good predictor (generally better than servicing portfolio size) of pay levels—but again, there are exceptions.

Charts 3 and 4 present the various total cash compensation levels for large, medium and small companies measured by origination volume and by servicing portfolio size. For origination volume, the strongest relationship exists for the top production executive. This does make sense, given that this position is directly responsible for overseeing the production activity of the company. The relationship is further strengthened because a significant percentage of companies still base a portion of the incentive dollars on the absolute dollar volume of originations.

The relationship of the chief financial officer's pay to the company's size was also strong when compared to the size of the origination volume—far stronger than the relationship of the CFO's pay compared to the size of the servicing portfolio. This perhaps suggests that the CFO is valued more for his or her input in the area of pricing loans than in the financing and acquisition of servicing.

We found that the largest companies, in terms of servicing portfolio size, do pay their top servicing executive significantly more than at either the medium- or small-sized servicing operations. Upon closer examination of the survey data, it appears that a common level of pay exists (at around $90,000) for man-

aging servicing portfolios up to about $8 billion in size. Beyond that, the pay starts to climb fairly rapidly with the size of the servicing portfolio.

Not surprisingly, the top MIS executive follows the same pattern as the top servicing executive in terms of compensation. In many mortgage companies, the MIS function primarily supports the servicing function. In fact, for the largest servicing companies, the MIS function is critical to realizing the benefits of the economies of scale predicted by having a large servicing portfolio.

Pay versus independence

We anticipated that we would see clear differences from the survey in the pay of senior executives based on their autonomy from the parent company. Again, we divided our sample group of companies into three categories based on their independence. The following categories of independence were identified: highly independent from parent company; subsidiary, but share services with parent company; and standalone department within parent company.

As can be seen in Chart 5, the independence of the mortgage company is clearly an important factor influencing the pay of the chief executive officer and the chief financial officer. There also appears to be a positive relationship for the top production executive and the top secondary marketing executive that traces back to this corporate identity question. Unfortunately, the participants that were best characterized as "departments" are very large, making true comparisons difficult.

A strong relationship also existed for the top MIS executive and the top human resource executive. In organizations that are run autonomously from the parent, the MIS and human resource function are more likely to be free-standing and responsible for both the design and the implementation of programs. In less independent companies (our second category), frequently MIS and human resources units receive oversight from the parent company—limiting their role to one of implementation and administration rather than design.

Pay versus geography

Finally, in Chart 6, we also sought to discover if geography significantly influenced the pay levels of senior exec-

CHART 1

Average Total Cash Compensation
(By Growth in Servicing Portfolio)

	HIGH	MODERATE	LOW
Chief Executive Officer	$347.2	$295.0	$226.7
Top Financial Officer	136.2	N/A	115.1
Top Production Executive	158.9	149.9	159.2
Top Secondary Marketing Executive	134.2	119.6	143.5
Top Servicing Executive	89.1	126.4	101.0
Top MIS Executive	98.8	85.7	84.5
Top Human Resource Executive	104.8	56.9	71.4

CHART 2

Average Total Cash Compensation
(By Growth in Origination Volume)

	HIGH	MODERATE	LOW
Chief Executive Officer	$262.9	$289.4	$355.7
Top Financial Officer	144.3	133.9	139.0
Top Production Executive	133.2	166.4	176.4
Top Secondary Marketing Executive	128.7	130.5	148.0
Top Servicing Executive	107.5	84.7	106.1
Top MIS Executive	91.0	80.6	104.2
Top Human Resource Executive	80.0	74.6	81.5

CHART 3

Average Total Cash Compensation
(By Origination Volume)

	LARGE	MEDIUM	SMALL
Chief Executive Officer	$337.9	$284.3	$262.5
Top Financial Officer	179.0	125.7	113.1
Top Production Executive	194.3	155.1	107.7
Top Secondary Marketing Executive	150.6	140.8	86.7
Top Servicing Executive	119.2	116.9	90.7
Top MIS Executive	96.3	80.9	75.9
Top Human Resource Executive	92.8	83.3	56.1

CHART 4

Average Total Cash Compensation
(By Servicing Portfolio)

	LARGE	MEDIUM	SMALL
Chief Executive Officer	$306.3	$281.9	$307.7
Top Financial Officer	158.4	140.7	145.2
Top Production Executive	175.8	146.6	154.1
Top Secondary Marketing Executive	154.1	112.5	128.4
Top Servicing Executive	135.7	89.9	87.7
Top MIS Executive	103.5	76.1	87.9
Top Human Resource Executive	79.5	76.8	70.2

CHART 5

Average Total Cash Compensation
(By Independence of Operation)

	IND.	SHARED	DEPT.
Chief Executive Officer	$320.6	$256.3	N/A
Top Financial Officer	157.3	129.7	N/A
Top Production Executive*	169.9	142.3	157.9*
Top Secondary Marketing Executive	144.6	113.4	130.6*
Top Servicing Executive	91.7	108.4	120.9
Top MIS Executive	90.7	76.5	N/A
Top Human Resource Executive	86.3	61.4	N/A

* Origination volume of departments was double that of other categories.

CHART 6

Average Total Cash Compensation
(By Geographic Location)

	WEST	CENTRAL	EAST
Chief Executive Officer	$385.9	$272.6	$241.1
Top Financial Officer	186.1	116.7	158.3
Top Production Executive	176.8	122.0	156.5
Top Secondary Marketing Executive	141.3	93.1	134.3
Top Servicing Executive	114.7	75.8	118.9
Top MIS Executive	88.1	70.9	78.1
Top Human Resource Executive	70.1	74.3	72.3

utive positions in the mortgage banking business. Conventional wisdom would suggest that we would not find a strong relationship. While we all agree that geographic differences are very real for nonexempt positions, most "experts" (including ourselves) would argue that the labor market for the top executives is truly national—not regional.

However, we found that with the exception of the top human resource executive and the top servicing executive, West Coast companies do pay significantly more than their counterparts in other parts of the country.

It is our theory that the difference in pay for the West Coast (primarily California-based mortgage companies) was partially based on a higher cost of living. It is also a reflection of the significant movement of senior executives between mortgage companies. In the development of hiring packages to lure executives, companies frequently are forced to provide a de facto geographic differential in the form of a higher starting base-salary.

Summary of results

In looking at the four macro factors of growth, size, independence and geographic location, it does appear that there is a rational explanation after all, for the pay levels of senior executives—though you will need to look at a combination of factors to establish what that explanation is. Chart 7 displays the strength of the relationship of each measure to the compensation of the senior executives. For example, an independent, California-headquartered, mortgage company chief executive officer will probably earn significantly more than a Midwest-based chief executive officer of a subsidiary where the parent company takes a close interest in operations.

Annual origination volume is a reasonably good predictor (generally better than servicing portfolio size) of pay levels—but again, there are exceptions.

However, there is one position where the results are definitely muddled. The majority of the data suggests that top servicing executives, no matter what the characteristics of the company, are paid roughly the same. The exception is with companies with truly large—in excess of $10 billion—servicing portfolios.

Determining appropriate pay

If you're looking for some guidance from this as to appropriate compensation levels for your top managers, there is no escaping the conclusion that the landscape is confusing. Companies cannot turn, with any degree of confidence, to any one single measure and develop an appropriate compensation level. In fact, you not only need to know how much to pay a position, but how much of that pay should be in the form of base-salary versus incentives, how the incentives will be determined and so forth. So how do you develop a compensation program that is reasonable—both to the organization and to the executive group? We recommend the following procedures.

First, the organization needs to determine the ground rules. The ground rules for compensation, in total, establish the direction that management desires to take compensation.

The primary ground rule governs the role, or prominence, that compensation is going to play in your organization. For example, do you want to use pay to actively change executives' behavior and to drive the strategy of the organization? Or, do you simply want to ensure that your pay program does not dissatisfy, and let the pay package be more passive in terms of promoting the desired behavior?

Historically, pay has played a highly prominent role in mortgage banking organizations—pay being the primary yardstick by which performance is measured. Given that many senior executives used to be loan officers on 100 percent commission, this continued prominent role for pay in the mortgage banking industry is not that surprising. Prominent pay programs generally have very distinct characteristics. For example, they tend to provide for a larger incentive opportunity. Usually, the incentive is based on very explicit, quantifiable, individually influenced performance objectives. Also, the actual range of payouts, over time, will vary significantly. Prominent pay programs also require more frequent modification.

A second important ground rule (and the one most often neglected), is to establish the basic objectives of the compensation program. We know that executive compensation programs, at a minimum, need to attract and retain executives. But there are other objectives that will be appropriate in a given situation. Examples include the following basic objectives:

Foster teamwork. Encourage executives to work in a more collaborative style.

Reward risk-taking. Provide the incentive for executives to take appropriate risks.

Promote "ownership" behavior. Executives should act like owners, not like caretakers.

The third important ground rule for

CHART 7

Strength of Relationship Between Measure and Total Cash Compensation

	GROWTH		SIZE			
	Servicing Portfolio	Origination Volume	Servicing Portfolio	Origination Volume	Independence	Geography
Chief Executive Officer	●	○	◑	●	●	●
Top Financial Officer	○	○	○	●	●	●
Top Production Executive	○	○	○	●	○	◑
Top Secondary Marketing Executive	○	○	○	●	○	◑
Top Servicing Executive	○	○	●	○	○	○
Top MIS Executive	◑	○	●	◑	◑	○
Top Human Resource Executive	○	○	○	●	◑	○

STRONG	●
MODERATE	◑
WEAK	○

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establishing pay programs is to determine what external reference points will be used to compare your pay levels against, and how strongly they will be emphasized as a point of comparison. We believe it is very important for all companies to understand how their compensation program stacks up against the competition; that is, those companies you compete against for business and those companies whom you are likely to recruit executives from and/or lose executives to.

Ideally, the companies that you use as external references should be as similar as possible. For example, the majority of the organizations that you identify as external references should be: equally independent in terms of business operation; similar in size and organization; and similar in style and culture.

Beyond the ground rules

After the ground rules have been established, you are ready to proceed to actually developing the appropriate compensation levels. The ground rules, in combination, will allow you to sort through the infinite number of possibilities. With the ground rules identified, you will know: how aggressive you want to be with your pay program, what are the appropriate objectives of the program and what the competition is doing.

Armed with the answers to these questions, you will be in a far better position to determine what level of pay is appropriate for a given position and how that pay should be structured. Also, and critically important, you will know when you should follow competitive practice and when competitive practice should be ignored.

The final point we wish to stress is that it is not that important, ultimately, whether or not we can find any rhyme or reason in the compensation practices of this industry. That is not the proper context for determining whether or not prevailing pay levels make sense. The only important place for a compensation program to pass any test of appropriateness and rationality is inside the company where it has been adopted. **MB**

Chip Thomas is a senior consultant with Sibson & Company, Inc. based in Princeton, New Jersey, a human resources management firm specializing in the design of compensation programs.

VITAL STATISTICS

INTEREST RATES & YIELDS
1- TO 4-FAMILY MORTGAGES

	FHA OPINION SURVEY	FHFB			FNMA		FHLMC	
1990	FHA New Homes[1]	CONVENTIONAL[2] FRM	ARM	Median Cost of Funds SAIF Institutions	1-Yr. ARM	FRM Conv.	ARMs	FRMs
JUL	10.15%	10.51%	9.25%	NA	8.14%	9.88%	8.43%	10.04%
AUG	10.20	10.33	9.18	NA	7.96	10.00	8.35	10.10
SEP	10.26	10.33	9.06	NA	7.96	10.07	8.28	10.18
OCT	**NA**	**NA**	**NA**	**NA**	**7.84**	**10.08**	**8.20**	**10.17**

SELECTED SECURITIES

		PRIME COMMERCIAL PAPER	U.S. GOVERNMENT				
1990	FEDERAL FUNDS RATE	(3-Month)	6-Month	1-Year	3-Year	10-Year	A-Rated Utility
JUL	8.15%	7.99%	7.52%	7.94%	8.26%	8.47%	9.96%
AUG	8.13	7.88	7.38	7.78	8.22	8.75	10.29
SEP	8.20	7.96	7.32	7.76	8.27	8.89	10.28
OCT	**8.11**	**7.98**	**7.16**	**7.55**	**8.07**	**8.72**	**10.23**

CURRENT SECONDARY MARKET YIELDS

SPREADS
(Basis Points)

1990	GNMA[3]	FNMA[3]	FHLMC[3]	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
JUL	9.66%	9.66%	9.66%	119	119	119
AUG	9.80	9.75	9.75	105	100	100
SEP	9.86	9.79	9.73	97	90	84
OCT	**9.84**	**9.80**	**9.69**	**112**	**108**	**97**

SECONDARY MARKET ACTIVITY
(Dollars in Millions)

	FNMA*				FHLMC				GNMA	
	Portfolio		Mortgage-Backed Securities						Pass-Through Securities	
1990	Commitments**	Purchases	Outstanding	Issued	Commitments To Sell	Commitments To Buy	Mortgages Purchased	PCs Issued	Applications	Issued
JUN	$2,089	$1,802	$263,330	$8,266	$5,549	$11,183	$5,856	$5,546	$6,851	$5,738
JUL	2,215	2,304	268,052	6,869	4,507	5,851	4,527	4,247	8,553	5,553
AUG	2,302	2,134	275,227	9,378	6,279	5,645	5,417	4,808	4,489	6,560
SEP	**2,073**	**2,123**	**281,806**	**8,953**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
1989 TOTAL	27,409	22,518	---	69,764	85,408	86,263	78,589	73,518	60,149	57,522
1988 TOTAL	23,435	23,110	---	54,878	41,271	70,669	44,075	39,777	58,578	56,531
8 MONTH AVG. 1990	1,924	1,923	---	8,045	6,028	7,710	5,748	5,768	5,336	5,389
1989	2,157	1,655	---	4,921	6,214	6,530	5,806	5,344	4,395	4,394
1988	2,117	2,033	---	4,363	2,927	5,251	3,237	2,829	4,676	4,366

*FNMA year to date averages are for nine months.
**Does not include standby commitments issued, but includes standby commitments converted.

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES

(Units in Thousands, Seasonally Adjusted Annual Rates)

	BY TYPE OF UNIT						BY REGION							
	HOUSING STARTS			BUILDING PERMITS			HOUSING STARTS				BUILDING PERMITS			
1990	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Northeast	Midwest	South	West	Northeast	Midwest	South	West
JUN	1,189	931	258	1,108	844	264	113	241	535	300	121	224	428	335
JUL	1,153	904	249	1,082	838	244	113	225	493	322	111	227	428	316
AUG	1,142	872	270	1,050	818	232	118	241	440	343	112	225	402	311
SEP	**1,135**	**913**	**222**	**1,006**	**781**	**225**	**105**	**249**	**453**	**328**	**105**	**227**	**391**	**283**
1989 TOTAL	1,376	1,059	318	1,338	999	340	179	266	536	396	179	252	505	402
1988 TOTAL	1,488	1,140	348	1,456	1,070	386	235	274	575	404	230	266	544	416
9 MONTH AVG. (SAAR)														
1990	1,267	986	281	1,187	898	289	137	271	500	359	134	265	446	343
1989	1,399	1,073	326	1,339	1,000	339	190	265	548	396	185	254	508	392
1988	1,474	1,130	344	1,433	1,056	377	251	265	566	391	240	259	534	401

HOME SALES

(Units in Thousands)

	EXISTING HOMES			NEW HOMES		
1990	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate	Sold (SAAR)	Available for Sale	Months Supply At Current Sales Rate
JUN	3,330	2,650	9.6	550	354	7.9
JUL	3,330	2,570	9.3	545	350	7.9
AUG	3,500	2,720	9.3	535	345	7.9
SEP	**3,220**	**2,560**	**9.5**	**503**	**337**	**8.4**
1989 TOTAL	3,440	---	---	650	---	---
1988 TOTAL	3,594	---	---	676	---	---
9 MONTH AVG. (SAAR)						
1990	3,370	---	---	554	---	---
1989	3,443	---	---	654	---	---
1988	3,509	---	---	675	---	---

VALUE OF NEW PRIVATE CONSTRUCTION PUT IN PLACE

(Units in Billions of 1987 Dollars, Seasonally Adjusted Annual Rates)

	Total[5]	1–Unit	2+ Units	Nonresidential
JUN	$299.1	$101.8	$17.0	$95.4
JUL	300.8	100.0	16.9	99.0
AUG	294.1	98.1	16.9	94.1
SEP	**289.4**	**96.0**	**16.4**	**92.2**
1989 TOTAL	308.5	108.3	20.7	96.0
1988 TOTAL	314.4	112.0	21.4	93.5
9 MONTH AVG. (SAAR)				
1990	303.8	105.5	17.7	94.9
1989	311.4	109.8	21.2	96.2
1988	314.6	111.6	21.5	93.7

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Type of Unit
(Dollars in Millions)

	1-4 UNITS					5+ UNITS					NONRESIDENTIAL				
	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies	Total[6]	Mortgage Bankers	Savings & Loans[7]	Commercial Banks	Life Companies
1990															
FEB	$30,305	$9,867	$9,964	$10,129	$27	$3,041	$682	$803	$768	$551	$14,039	$202	$881	$9,469	$3,320
MAR	33,747	8,703	12,620	12,014	29	2,765	557	1,120	802	61	18,878	102	893	14,794	2,978
APR	32,585	7,543	12,295	12,405	28	1,597	145	940	317	50	16,510	100	703	12,240	3,048
MAY	**34,554**	**8,782**	**12,019**	**13,332**	**27**	**1,983**	**233**	**878**	**649**	**41**	**15,221**	**110**	**621**	**10,618**	**2,772**
1989															
TOTAL	352,026	65,606	157,676	123,193	1,443	31,145	4,443	13,469	7,669	2,786	149,950	1,688	14,476	106,424	25,675
1988															
TOTAL	383,566	85,307	188,871	101,863	3,331	38,158	4,526	20,551	6,920	3,732	181,604	1,032	24,368	124,106	29,986
5 MONTH AVG.															
1990	33,041	8,939	11,584	12,092	72	2,522	497	925	663	216	16,373	133	777	12,010	3,051
1989	27,376	5,320	12,859	8,813	77	2,535	293	1,293	534	176	10,544	106	1,498	7,180	1,623
1988	27,363	6,360	12,978	7,562	131	2,578	246	1,445	477	256	14,860	47	1,928	10,847	1,788

MORTGAGE INSURANCE
(Units in Thousands, Dollars in Millions)

	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	TOTAL	FHA[8]	VA	PRIVATE	TOTAL		FHA		VA		PRIVATE	
					Units	Amount	Units	Amount	Units	Amount	Units	Amount
MAY	155	93	17	45	112	$8,919	65	$4,382	15	$1,236	32	$3,300
JUN	150	90	17	43	112	9,010	64	4,289	16	1,309	32	3,412
JUL	144	84	15	45	118	9,652	67	4,509	15	1,254	36	3,889
AUG	**154**	**89**	**18**	**47**	**126**	**10,074**	**70**	**4,764**	**19**	**1,573**	**37**	**3,937**
1989 TOTAL	1,687	990	194	503	1,274	95,956	726	45,893	183	12,946	365	37,117
1988 TOTAL	1,755	949	211	595	1,334	98,012	699	42,577	211	15,771	424	39,664
8 MONTH AVG.												
1990	147	98	17	42	115	9,015	67	4,395	17	1,357	31	3,263
1989	143	85	16	42	100	7,558	56	3,488	15	1,160	29	2,910
1988	154	85	17	52	111	8,119	58	3,530	17	1,272	36	3,317

NA—Not Available; SAAR—Seasonally Adjusted Annual Rate

[1]Secondary market gross yields. Numbers shown for each month are the average of yields from the first day of the month shown and the first day of the subsequent month.

[2]Effective rate on loans closed.

[5]Securities for 0- to 30-day delivery.

[6]In addition to the categories of private construction shown, the total also includes these categories: residential improvements, railroads, electric light and power, gas, telephone and telegraph, petroleum pipelines, and farm nonresidential.

[4]In addition to the categories shown, the total also includes private pension funds, private MBS conduits, state and local retirement funds, federal credit agencies, mortgage pools, and state and local investment agencies.

[7]Savings & Loans and Mutual Savings Banks.

[8]FHA applications received includes the Direct Endorsement Program.